

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

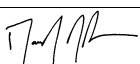
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**Plan for Employees' Pension of
the Board of Water and Light -
City of Lansing, Michigan -
Defined Benefit Plan**

**Financial Report
with Required Supplemental Information
June 30, 2007**

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

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Independent Auditor's Report

To the Honorable Mayor, Members of the City Council,
and Commissioners of the
Board of Water and Light
Plan for Employees' Pension of the Board of Water and
Light - City of Lansing, Michigan - Defined Benefit
Plan
City of Lansing, Michigan

We have audited the accompanying statement of plan net assets of the Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan (the "Plan") as of June 30, 2007 and 2006 and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets held in trust for pension benefits of the Plan at June 30, 2007 and 2006 and the changes in net assets held in trust for pension benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, requires a management's discussion and analysis be presented along with the financial statements. This information has not been presented.

The required supplemental information, analysis of funding progress and employer contributions on pages 12-13, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. This supplemental information is the responsibility of the Plan's management. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit such information, and we do not express an opinion on it.

September 7, 2007

Plante & Moran, PLLC

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Statement of Plan Net Assets

	June 30	
	2007	2006
Assets		
Receivable - Investment interest receivable	\$ 517,419	\$ 656,394
Investments at fair value:		
Money market collective trust fund	5,872,486	2,666,800
U.S. government obligations	13,433	19,051
Corporate bonds and notes	25,836,134	33,476,140
Mutual funds	91,408,082	68,038,201
Common stocks	544,369	16,262,417
Preferred stocks	964,400	-
Total investments	<u>124,638,904</u>	<u>120,462,609</u>
Net Assets	<u>\$ 125,156,323</u>	<u>\$ 121,119,003</u>

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Statement of Changes in Plan Net Assets

	Year Ended June 30	
	2007	2006
Increases - Investment income		
Appreciation (depreciation) in fair value of investments:		
Bonds	\$ 402,192	\$ (2,028,689)
Stocks	13,928,325	8,714,311
Other	-	368,433
Total appreciation	14,330,517	7,054,055
Interest and dividend income	4,895,389	4,995,307
Total increases - Net of depreciation in fair value of investments	19,225,906	12,049,362
Decreases		
Benefits payments	9,670,593	9,731,595
Retirees' health premiums (Note 5)	5,517,993	1,213,612
Total decreases	15,188,586	10,945,207
Net Increases	4,037,320	1,104,155
Net Assets		
Beginning of year	121,119,003	120,014,848
End of year	<u>\$ 125,156,323</u>	<u>\$ 121,119,003</u>

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2007 and 2006

Note 1 - The Plan

The Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan (the "Plan"), a component unit of the Board of Water and Light - City of Lansing, Michigan (the BWL), is a single-employer, noncontributory, defined benefit, public employee retirement system established and administered by the BWL under Section 5-203 of the City Charter. An employee becomes a participant of the Plan when hired. A participant's interest shall be fully vested when the participant has been credited with seven years of vesting service. The Plan was established in 1939 and has been amended several times, with the latest amendment taking effect on January 1, 2002.

The Plan, by resolution of the board of commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this plan were required to make an irrevocable choice to either remain in this plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan. As a result of this action, effective December 1, 1997, the board of commissioners transferred \$75,116,470 to the newly established defined contribution plan, reflecting the plan participants' accumulated benefits as of said date.

The Plan provides for an annual benefit upon normal retirement equal to the product of the total number of years of credited service multiplied by a percentage equal to 1.80 percent of the highest annual pay during the last 10 years of service, paid in equal monthly installments.

The plan membership consists of the following as of the date of the most recent actuarial valuation for each year presented:

	<u>2007</u>	<u>2006</u>
Retirees and beneficiaries currently receiving benefits	494	505
Terminated employees with vested benefits	20	21
Current employees	<u>55</u>	<u>64</u>
Total participants	<u>569</u>	<u>590</u>

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plan and Note Disclosures for Defined Contribution Plans*.

Investment Valuation and Income Recognition - Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales prices. Investments that do not have an established market are reported at estimated fair value.

Purchases and sales of securities are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of the year fair value of investments.

The Plan is authorized by Michigan Public Act 55 of 1982 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Expenses - Substantially all costs and expenses incurred in connection with the operation and administration of the Plan are paid by the BWL, the plan sponsor. The Plan does pay all expenses incurred in connection with the custodial safekeeping account, which have been netted with interest and dividend income.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Reclassification - Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

Regulatory Status - The Plan is not subject to the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA) as it has been established for the benefit of a governmental unit.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

Funding Policy - The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. During fiscal years ended June 30, 2007 and 2006, there was not an actuarial required contribution.

Vesting - Participants vest at the rate of 20 percent per year after the completion of three years of service. Participants become fully vested at the completion of seven years of service.

Note 3 - Cash, Investments, and Fair Disclosure

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Plan's deposits and investment policies are in accordance with statutory authority.

Risks at June 30, 2007

Custodial Credit Risk of Bank Deposits - At the end of the year, the Plan has no bank deposits.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and are, therefore, not subject to custodial credit risk.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond	\$ 13,433	14.17 years
Mutual funds	14,068,830	5.24 years
Corporate bonds	25,836,134	13.72 years

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds	\$ 14,068,830	Not Rated	Not Rated
Corporate bonds	5,371,780	A+	S & P
Corporate bonds	5,850,027	A	S & P
Corporate bonds	1,623,800	A-	S & P
Corporate bonds	1,063,670	AA	S & P
Corporate bonds	2,837,210	AA-	S & P
Corporate bonds	1,303,834	AAA	S & P
Corporate bonds	1,121,875	BB+	S & P
Corporate bonds	1,156,400	BBB+	S & P
Corporate bonds	2,572,478	BBB	S & P
Corporate bonds	2,935,060	BBB-	S & P

Concentration of Credit Risk - The board of commissioners places no limit on the amount the Plan may invest in any one issuer. As of year end, the Plan does not hold more than 5 percent of its investments in any one issuer.

Foreign Currency Risk - The Plan holds no investments in foreign entities, currency, or debt.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Risks at June 30, 2006

Custodial Credit Risk of Bank Deposits - At the end of the year, the Plan has no bank deposits.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and are, therefore, not subject to custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government or agency bond	\$ 19,051	15 years
Mutual funds	-	N/A
Corporate bonds	33,476,140	12.44 years

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds	\$ -	Not Rated	Not Rated
Corporate bonds	3,791,990	A+	S & P
Corporate bonds	10,164,783	A	S & P
Corporate bonds	2,649,270	A-	S & P
Corporate bonds	2,992,035	AA-	S & P
Corporate bonds	1,303,634	AAA	S & P
Corporate bonds	1,531,363	BB+	S & P
Corporate bonds	3,091,010	BB	S & P
Corporate bonds	3,027,242	BBB+	S & P
Corporate bonds	3,918,464	BBB	S & P
Corporate bonds	1,006,350	BBB-	S & P

Concentration of Credit Risk - The board of commissioners places no limit on the amount the Plan may invest in any one issuer. As of year end, the Plan does not hold more than 5 percent of its investments in any one issuer.

Foreign Currency Risk - The Plan holds no investments in foreign entities, currency, or debt.

Note 4 - Realized Gains (Losses) on Investments

Realized gains (losses) on investment sales for the years ended June 30 were as follows:

	2007	2006
Bonds	\$ (381,523)	\$ (355,456)
Stocks	7,843,854	6,982,989
Total realized gains	<u>\$ 7,462,331</u>	<u>\$ 6,627,533</u>

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2007 and 2006

Note 4 - Realized Gains (Losses) on Investments (Continued)

Realized gains (losses) on investments are calculated based on the historical cost of the asset. The calculation of realized gains (losses) is independent of the calculation of net appreciation (depreciation) in the fair value of Plan investments. Unrealized gains (losses) on investments sold in the current year that had been held for more than one year were included in the net appreciation (depreciation) reported in the prior year.

Note 5 - 401(h) Account

Effective July 1, 1999, the Plan was amended to include a medical-benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries in accordance with Section 401(h) of the Internal Revenue Code (IRC). A separate account has been established and maintained in the Plan for the net assets related to the medical-benefit component 401(h) account. In accordance with IRC Section 401(h), the Plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. Employer contributions or qualified transfers to the 401(h) account are determined annually and are at the discretion of the plan sponsor. At June 30, 2007 and 2006, the amount of excess pension plan assets available for transfer totaled \$5,517,993 and \$1,213,612, respectively; however, such transfers are limited to the total amount of retiree health care costs incurred during the year. During the years ended June 30, 2007 and 2006, the Plan transferred \$5,517,993 and \$1,213,612, respectively, to the 401(h) account, of which all such funds were utilized for retiree health care costs incurred during the plan year. Accordingly, at June 30, 2007 and 2006, there were no funds remaining in the 401(h) account.

Note 6 - Tax Status

The Plan obtained its determination letter dated March 14, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has since been amended. Management believes the Plan continues to operate as a qualified plan. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Required Supplemental Information

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Schedule of Funding Progress (in thousands)

Valuation Date	Actuarial Asset Value	AAL	UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2/28/2002	\$ 143,158	\$ 91,726	\$ (51,432)	156	\$ 5,624	(914.5)
2/28/2003	137,123	91,015	(46,108)	151	5,268	(875.2)
2/29/2004	136,898	89,612	(47,286)	153	4,787	(987.8)
2/28/2005	128,891	86,560	(42,331)	149	4,142	(1,022.0)
2/28/2006	125,630	86,906	(38,724)	145	3,942	(982.3)
2/28/2007	126,212	83,382	(42,830)	151	3,391	(1,263.0)

AAL - Actuarial Accrued Liability (Projected Unit Credit Accrued Liability)

UAAL - Unfunded Actuarial Accrued Liability, and negative UAAL indicates a funding excess

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Schedule of Employer Contributions (in thousands)

Fiscal Year Ended	Employer Contributions		Percentage of ARC Contributed
	Required	Actual	
6/30/2002	\$ -	\$ -	N/A
6/30/2003	-	-	N/A
6/30/2004	-	-	N/A
6/30/2005	-	-	N/A
6/30/2006	-	-	N/A
6/30/2007	-	-	N/A

ARC - Annual required contribution

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Note to Required Supplemental Information Year Ended June 30, 2007

Note - Required Supplemental Information

The required supplemental information on pages 12 and 13 is designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due. This information was used to compile the latest actuarial valuation.

Valuation date	February 28, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar over a 15-year period
Asset valuation method	Market Value of the Assets
Actuarial assumptions:	
Investment rate of return	7.5% per year compounded annually
Projected salary increases	5.0% - 11.0% per year, depending on age
Postretirement - Cost-of-living adjustments	Ad-hoc; none explicitly assumed in liability computations